



UNITED STATES DEPARTMENT OF EDUCATION  
WASHINGTON, D.C. 20202

September 1989

ASSISTANT SECRETARY  
FOR POSTSECONDARY EDUCATION  
OFFICE OF STUDENT FINANCIAL ASSISTANCE

GEN-89-47

Dear Colleague:

Enclosed are corrected pages for the 1989-90 versions of *The Federal Student Financial Aid Handbook* and *The Pell Grant Formula*. Most of these corrections are relatively minor in nature, and do not reflect changes in interpretation of current policy.

However, there is one significant change in interpretation. The Special Conditions chart in the *Handbook* and *The Pell Grant Formula* stated that an individual had to be unemployed for 10 *consecutive weeks* to be eligible for a special condition. This statement was based on an erroneous interpretation of a previous policy. The special condition is based on 10 *total* weeks of unemployment in the 1989 calendar year.

A complete list of the changes is enclosed. We are providing these corrected pages so that you may update your publications accordingly.

Sincerely,

John J. McCarthy  
Director  
Division of Training  
and Dissemination

Enclosures

## **CORRECTIONS TO 1989-90** **HANDBOOK AND PELL FORMULA**

### ***FSFA Handbook***

Two definitions were omitted from the glossary .....	Overview—15
The additional proposed Anti-Drug Abuse Act certification was removed after the <i>Handbook</i> went to print.....	2—21
"10 consecutive weeks" changed to "10 weeks" .....	2—53
The arrows showing the direction of the cash payment and the student's repayment were reversed in the graphic example .....	3—38
In Case Study 1, the figure \$774 was shown as the loan amount attributed to other payment periods, rather than \$744; the final result does not change .....	3—51ff.
Misplaced graphic under "Reimbursing Amounts Cancelled" .....	6—39
Correction to third bulleted item under "Borrower Eligibility" .....	10—3
Misplaced margin note.....	10—13

### ***Pell Formula***

"10 consecutive weeks" changed to "10 weeks" .....	19
The information filled out in lines 18 and 19 should have been in lines 17 and 18; the SAI was not affected.....	Case Study 1

*Special Condition* — A change in the family's situation, such as loss of employment or death of a parent, that affects the family's ability to contribute to the student's costs. If a student meets one of the special conditions defined by regulation, expected year income will be used instead of base year income to calculate the Student Aid Index and the Family Contribution that are printed on the Student Aid Report.

*Student Aid Index (SAI)* — The amount the student's family is expected to contribute towards the cost of attendance, for the purposes of the Pell Grant Program. The SAI is printed on the front of the Student Aid Report.

*Student Aid Report (SAR)* — The "output document" from the Federal processing system. The SAR contains the financial and other information reported by the student on the financial aid application, as entered into the processing system. The student's eligibility for aid is indicated by the SAI and FC printed on the front of the SAR, and additional instructions

*SFA Programs* — The programs administered by the Office of Student Financial Assistance within the U.S. Department of Education, namely, Pell Grants, Supplemental Educational Opportunity Grants, College Work-Study, Perkins Loans, Stafford Loans, Supplemental Loans for Students, PLUS Loans, Income Contingent Loans, State Student Incentive Grants, Byrd and Douglas Scholarships, and Consolidation Loans.

*Verification* — A procedure whereby the school checks the information the student reported on the financial aid application, usually by requesting a copy of the tax returns filed by the student and, if applicable, the student's spouse and parent(s). Many schools conduct their own form of verification. In addition, schools must verify students selected through the Federal processing system, following the procedures established by regulation. The processor prints an asterisk next to the Student Aid Index (on the Student Aid Report) to identify students who have been selected for verification.

ments, if the school chooses. If you collect this statement on another document, you must add a line for the student's Social Security Number (or Student Identification Number, if the student does not have a Social Security Number). The law requires that the student include this information with the certification, but the line is omitted on the Student Aid Report, because the student's Social Security or identification number is already printed on the Report.

This certification is intended to make it easier for schools to confirm the student's eligibility. The school may rely on the student's signed statement that he or she is not in default, unless the school has other information (either in its own records or from a financial aid transcript received from another school) indicating that the student is in default or owes an overpayment. If there is conflicting information, the school may not pay the student until it is resolved.

#### **ANTI-DRUG ABUSE CERTIFICATION**

Beginning with the 1989-90 award year, students must certify compliance with the Omnibus Drug Initiative Act of 1988. As grant recipients from a Federal program, a student who wishes to receive a Pell Grant is required to certify that he or she will not engage in the unlawful manufacture, distribution, dispensing, possession, or use of a controlled substance in conducting any activity in connection with the grant.\*

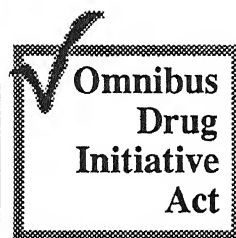
The statement will be printed on the back of the Student Aid Report, with the other eligibility statements discussed in this Section. The first Student Aid Reports generated by the processing system did not include this statement; a school will have to obtain the statement on a separate document before it pays a Pell Grant to a student or certifies a guaranteed loan application.

Also under the Omnibus Drug Initiative Act, schools which receive campus-based funds will be required to certify (on a form provided by the Department) that they will provide a drug-free workplace.

Further information can be found in Dear Colleague letter GEN-89-15, which was released to schools after the *1989-90 Handbook* was developed.

---

\*Note that the Act gives courts the authority to suspend eligibility for Federal student aid when sentencing an individual convicted of possession or distribution of a controlled substance.



**Certification  
for Pell Grant  
recipients**

**Collecting  
the State-  
ment**

**School  
certi-  
ficate  
for  
bas**

## **BORROWING IN EXCESS OF LOAN LIMITS**

The Higher Education Amendments of 1986 state that a student who has borrowed in excess of the annual or aggregate loan limits under the SFA loan programs is no longer eligible for assistance from any SFA program.

Of course, this should be a relatively unusual occurrence, because the school awarding the Perkins or ICL loan, or certifying a guaranteed loan application is required to take into account the student's previous loans. (To account for loans received at other schools, the school must request a financial aid transcript from each school the student previously attended — see Chapter Three, Section Three.) However, excess borrowing could occur when a student uses different names to apply for aid, or when a transfer student fails to tell the financial aid administrator about schools previously attended.

A student who has borrowed in excess of the loan limits may regain eligibility for SFA funds by repaying the excess amount that was borrowed.

## **REGISTRATION WITH SELECTIVE SERVICE**

A student must be registered with the Selective Service System (if required to register) before he can receive aid from the SFA programs. In general, males between the ages of 18 and 26 are required to register with the Selective Service System.

The major exceptions to the registration requirement are included on the Statement of Registration Status. In addition to those who are female or out of the age range for registration, students who are in the armed services on active duty, permanent residents of Palau, or citizens of the Marshall Islands or the Federated States of Micronesia, are not required to register.

There are several other categories of students who are not required to register with the Selective Service, in addition to those listed in the Statement of Registration Status:

1. Students who are unable to register due to being hospitalized, incarcerated, or institutionalized.
2. Students who are enrolled in an officer procurement program at the Citadel, North Georgia College, Norwich University, or Virginia Military Institute.
3. Students who are commissioned officers of the Public Health Service on active duty and members of the Reserve of the Public Health Service.

**Exemptions  
from  
registration**

## **SPECIAL CONDITIONS**

### ***DEPENDENT***

### ***INDEPENDENT***

#### **Loss of employment**

- One of the student's parents (or a stepparent) earned money in 1988, but has lost his or her job for at least 10 weeks in 1989.

- The student worked full-time (at least 35 hours a week) for at least 30 weeks in 1988, but is not working full-time now. (Does not apply to the student's spouse.)

- The student's spouse earned money in 1988, but has lost his or her job for at least 10 weeks in 1989.

#### **Loss of earnings due to disability or natural disaster**

- One of the student's parents earned money in 1988, but has not been able to earn money in his or her usual way for at least 10 weeks in 1989. This must have been because of either a disability or a natural disaster that happened in 1988 or 1989.

- The student (or spouse) earned money in 1988 but has not been able to earn money in the usual way for at least 10 weeks in 1989. This must have been because of either a disability or a natural disaster that happened in 1988 or 1989.

#### **Loss of untaxed income or benefit**

- One of the student's parents received unemployment compensation or some untaxed income or benefit in 1988, but has completely lost that income or benefit for at least 10 weeks in 1989. The untaxed income or benefit must have been paid by a public or private agency, from a company, or from a person because of a court order.

- The student (or spouse) received unemployment compensation or some untaxed income or benefit in 1988, but has completely lost that income or benefit for at least 10 weeks in 1989. The untaxed income or benefit must be from a public or private agency, from a company, or from a person because of a court order.

#### **Separation or divorce**

- The student has already applied for Federal student aid, but his or her parents have separated or gotten divorced since that time.

- The student has already applied for Federal student aid, but has separated or been widowed or divorced since that time.

#### **Death**

- The student has already applied for Federal student aid, but, since that time, one of the student's parents has died.

- The student has already applied for Federal student aid as a dependent student, but, since that time, the student's last surviving parent has died.

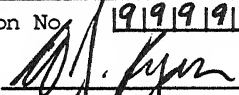
If the student's family meets one of these Special Conditions, the student must either use the Correction Application (as described earlier) or Part 2 of the Student Aid Report to have the SAI calculated based on expected year income. If the student has already received a Student Aid Report, have the student enter the family's expected year income in the following line items on Part 2:

**INDEPENDENT STUDENT — (G.) 50-54**  
**DEPENDENT STUDENT — (M.) 88-92**

(The student should ignore the box for dislocated worker status at the beginning of either section.)

Have the student (and the spouse/parents, if applicable) sign the certification statement on the back of Part 2 of the SAR. Then complete the "School Use Only" box, and sign.

**Example of "School Use Only" box for a Special Condition**

<b>School Use Only</b>		SAI:	SEC.SAI:	FC:	SEC.FC:	301-80-0158 BE 01
FAA Recalculated SAI	<input type="text"/>	Pell Institution No.		99999999		
or	<input checked="" type="checkbox"/>	FAA Signature				
Special Condition						

**Effect of  
the Special  
Condition  
on the FC**

**SAI: 750**  
**FC: 700 E**

Note that when the Student Aid Index is calculated based on expected year income, the processor will also use the expected year income to calculate the Family Contribution. (This is true whether you use a Correction Application or Part 2 of the SAR to file for a Special Condition.) An FC that uses expected year income will be identified by the letter "E" printed beside the number. If expected year income is used for the SAI and FC, the alternate FC values printed on the bottom of the Student Aid Report (see page 2-47) will also be based on expected year income. A "Special Condition" FC is calculated as a convenience to the aid administrator, but the aid administrator must use his or her professional judgement to decide whether to use this FC. If the aid administrator decides to use an FC from the Special Condition calculation, this decision must be documented in the student's file.

**"First  
Payment"  
Option**

As is the case with other recalculations, you may make a first payment to the student based on your recalculation of the SAI using expected year income, before you receive the reprocessed SAR with Payment Document. However, the school and the student are liable for the payment if the student does not submit the valid SAR within the established deadlines.



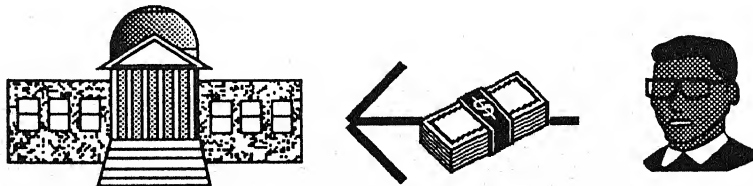
## SECTION FOUR: REFUNDS AND REPAYMENTS

The most frequent source of confusion with regard to refunds and repayments is a misunderstanding as to how these terms are used in the General Provisions. For instance, we may say that a school "refunds" or "repays" financial aid to the SFA program fund if a student fails to enroll at the school. Many schools call the cash disbursement to a student a "refund," after the school has credited the student's account for tuition and fees and other charges. But "refunds" and "repayments" as discussed in this section, have a specific meaning.

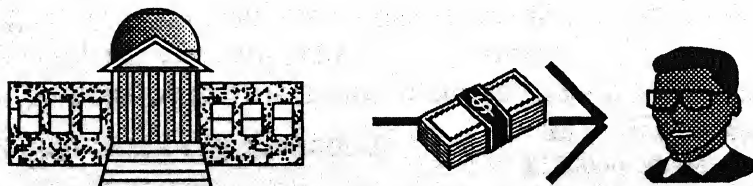
When we use the word "refund" we are referring to a refund of school charges that the school makes to a student, usually after the student has withdrawn from school. The actual amount of the school's refund to the student is determined according to the school's policy. However, if the student received financial aid from the SFA programs (except CWS), a portion of the refund must be returned to those programs.

### REFUND SITUATION

*Student enrolls and pays school charges  
(Tuition and fees, etc.).*



*Student withdraws from school;  
school gives refund to student.*



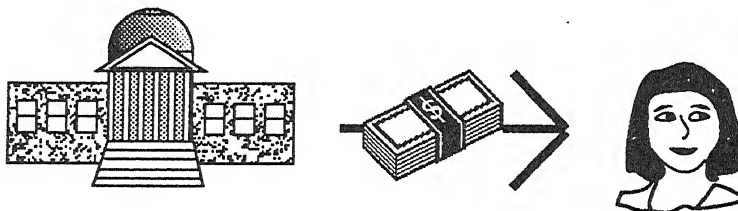


## Repayment defined

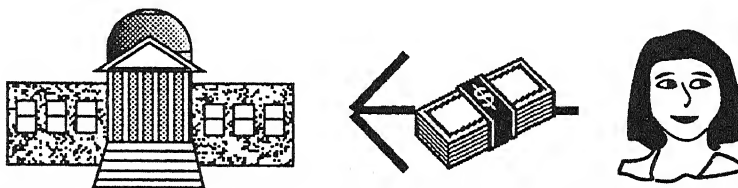
A "repayment" is the amount of the cash disbursement that a student must pay back to the school if the student withdraws from the program. (The cash disbursement is the payment from financial aid that the school makes to the student for living expenses, usually after the student's account has been credited for any school charges.) The school must decide if the cash disbursement was greater than the student's living expenses while he or she was still enrolled at the school. If the student received financial aid from the SFA programs (except CWS or guaranteed loans), a portion of any repayment must be returned to those programs.

### REPAYMENT SITUATION

*School makes cash disbursement to student at beginning of payment period, to cover living expenses.*



*Student withdraws from school; school determines repayment due from student.*



## Does not affect withdrawals from individual classes

These regulations do not affect refunds the school makes to a student who withdraws from some classes, but continues to be enrolled in other classes. The regulations governing refunds and repayments only apply when the student has completely withdrawn from school.

In this Section we will discuss SFA program requirements pertaining to refunds and regulations in three phases, as shown on the next page. Note that the refund and repayment formulas are very similar, with the major difference that guaranteed loan funds are not considered in the repayment formula.

## CASE 1 —

### DOMINO COMMUNITY COLLEGE

*Domino is a 2-year community college operating on a quarter term system. It does not participate in the campus-based programs, but its students are eligible for Pell Grants, guaranteed loans, and State grants, including SSIG-funded grants. Domino is a commuter school, with no campus dormitories.*

#### REFUND POLICY

Tuition and fees:

<i>If student withdraws:</i>	<i>The school retains:</i>
----------------------------------	--------------------------------

Before classes .....	0%
First Week .....	10%
Second & Third Week .....	30%
Fourth Week .....	50%
After Fourth Week .....	100%

#### REPAYMENT POLICY

For students who begin classes, 50% of the books and supplies allowances is considered to be expended (taking into account the bookstore's return policy).

Other living expenses are pro-rated based on the remaining weeks in the term. (A quarter term lasts 11 weeks).

#### DISTRIBUTION POLICY

1. Stafford
2. SLS
3. PLUS
4. Pell
5. State Tuition Grant (SSIG-funded)

#### STUDENT INFORMATION

Jeff A. is enrolled at Domino Community College for the Winter quarter. (He has already completed the Fall quarter.) He lives with his parents, who live near the school. He withdraws from class during the second week of the term.

Costs for the quarter\* .....

Tuition and fees .....	\$425
Books & Supplies .....	\$150
Room & Board .....	\$900
Transportation .....	\$100
Personal .....	\$300

Aid awarded .....

Jeff was awarded a \$2100 Pell Grant and a \$1200 Stafford loan (the loan period is for the Fall, Winter, and Spring quarters).

Aid disbursed .....

Jeff received disbursements at the beginning of the Winter quarter in the following order: a second disbursement (\$558) of the Stafford loan and a \$700 Pell Grant disbursement. (The first disbursement of the Stafford loan was disbursed to him for living expenses during the Fall quarter.)

The second disbursement of the Stafford loan was used to pay the tuition and fee bill (\$425). The remainder of the Stafford disbursement (\$133) and the \$700 Pell Grant were disbursed directly to Jeff for living expenses (total \$833).

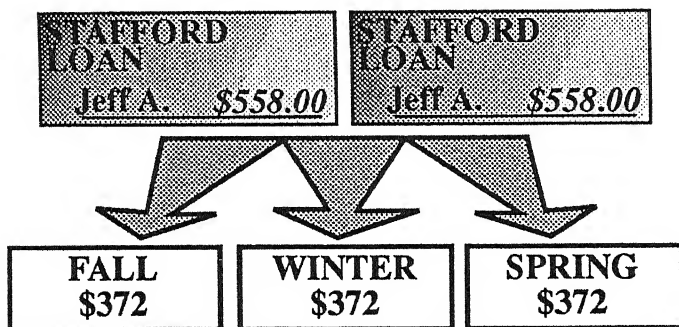
\* Note that living expenses for Pell are limited to \$1700 for students who live at home. However, the student's actual costs may be used when figuring the costs incurred by the student before dropping out.

## NOTES

### Principles shown:

- 1) Attribution of Stafford Loan to more than two payment periods
- 2) Return of Stafford Loan funds used to pay school charges in excess of amount attributed to payment period(s) the student was enrolled
- 3) "Payments for school charges" only includes Stafford Loan funds attributed to the payment period

• The two Stafford Loan disbursements are attributed to the three payment periods contained in the period of enrollment as follows (we show amounts disbursed for this purpose, after a 5% origination fee and a 2% insurance premium have been deducted — Step 2 in the refund and repayment formulas will use the amount *awarded* for the payment period, which is \$400):



ount of the loan that must be  
nder, use the following pro-

$$\begin{array}{r}
 \text{Loan amount used} \\
 \text{to pay school charges} \\
 - \text{Loan amount attributed} \\
 \text{to payment period(s)} \\
 \hline
 \text{Amount returned to lender}
 \end{array}$$

t of Stafford Loan funds  
school charges is less than  
utable to the two payment  
attended (Fall and Winter).

In this case, there is no excess amount to be returned to the lender. (Essentially, this step shows whether loan funds attributed to the payment period that the student never attended were used to pay tuition and fee charges.

• Note that if any portion of the Stafford loan had also been credited to tuition and fee charges for the Fall, the above calculation would also have to include that amount. For instance, if \$375 of the Fall Quarter charges had also been paid by a Stafford Loan disbursement (as well as the \$425 charge for Winter quarter), the calculation would look like this:

$$\begin{array}{r}
 800 \\
 -744 \\
 \hline
 56
 \end{array}$$

$$\begin{array}{r}
 \text{Loan amount used} \\
 \text{to pay school charges} \\
 - \text{Loan amount attributed} \\
 \text{to payment period(s)} \\
 \hline
 \text{Amount returned to lender}
 \end{array}$$

• In Step 3 of the refund example, note that the student's charges for the Winter quarter(\$425) were paid by Stafford Loan funds. Only the \$372 of the loan that is attributable to the Winter quarter is shown for "Payments credited to school charges."

• The \$244 refund is returned to the lender who made the Stafford loan. The repayment amount is returned to the Pell Grant program.

**CAUTION:** Always attribute the amount of a Stafford, SLS, or PLUS loan to payment periods. Any loan funds used to pay school charges in excess of the amount attributed to the payment period(s) the student attended must be returned to the lender.

Stafford	SLS or PLUS	
425	N/A	Loan amount used to pay school charges
744		- Loan amount attributed to payment period(s)
0		Amount returned to lender

## REFUND EXAMPLE

### STEP 1

Amount Retained by School  
(based on refund policy)

Charges	Amount Retained
Tuition/Fees 425	$\times 30\% = 128$
Total Retained	128

### STEP 2

Aid Awarded for  
Payment Period\*

Pell	700
SSIG	
Stafford/SLS/PLUS	400
<b>A. Total SFA Funds</b>	1100
<b>B. School &amp; Other Aid</b>	0
<b>C. Total Aid</b>	1100
(add A and B)	

\* Excluding CWS

### STEP 3

Payments (for payment period)  
Credited to School Charges\*

Pell	
SSIG	
Stafford/SLS/PLUS	372
Cash Payment by Student	
School & Other Aid	
<b>Total Paid Charges</b>	372

\* Excluding CWS

### STEP 4

Refund to  
Student

Total Paid Charges (from Step 3)	372
Total Retained (from Step 1)	128
<b>Refund</b>	244

### STEP 5

Amount to be Returned to SFA Programs

<b>SFA Funds Awarded</b>		
(from Step 2A)		
<b>Refund</b>	$\times$	<b>Amount to SFA Programs</b>
(from Step 4)		
	$\frac{\text{Total Aid Awarded (from Step 2C)}}{\text{Total Aid Awarded (from Step 2C)}}$	
244	$\times \frac{1100}{1100}$	= 244

# REPAYMENT EXAMPLE

## STEP 1

### Living Expenses Incurred

	Living Expenses for Payment Period	Living Expenses Actually Incurred
Room/Board	900	$\times \frac{2}{11} = 164$
Books/Supplies	150	$\times \frac{1}{2} = 75$
Transportation	100	$\times \frac{2}{11} = 18$
Dependent Care		
Personal	300	$\times \frac{2}{11} = 55$
<b>Total</b>		<b>Incurred 312</b>

## STEP 2

### Aid Awarded for Payment Period\*

Pell	700
SSIG	
<b>A. Total SFA Funds</b>	<b>700</b>
<b>B. School &amp; Other Aid</b>	<b>0</b>
<b>C. Total Aid</b>	<b>700</b>
(add A and B)	

\* Excludes CWS, Stafford, SLS, PLUS.

## STEP 3

### Payments (for payment period) to Student for Living Expenses\*

Pell	700
SSIG	
School & Other Aid	
<b>Total Cash</b>	<b>700</b>
<b>Disbursed</b>	

\* Excludes CWS, Stafford, SLS, PLUS.

## STEP 4

### Repayment Amount

Total Cash Disbursed (from Step 3)	700
Total Incurred (from Step 1)	312
<b>Repayment</b>	<b>388</b>

## STEP 5

### Amount to be Returned to SFA Programs

<b>SFA Funds Awarded</b>			
(from Step 2A)			
<b>Repayment</b>	<b>X</b>	<b>Total Aid Awarded</b>	<b>= Amount to</b>
(from Step 4)		(from Step 2C)	<b>SFA Programs</b>
388	X	700	=
		700	388

## DISTRIBUTION TO SFA PROGRAMS

<b>Refund</b>	244
Stafford	244
SLS	
PLUS	
Pell	
SSIG	

<b>Repayment</b>	388
Pell	388
SSIG	

A school may not exercise the minimum monthly repayment provisions on a note when the borrower has received a partial cancellation for the period covered by a postponement. (If the school was originally exercising the minimum repayment option, it must cease doing so.) If a borrower has received more than one loan (Defense, Direct, or Perkins), but not all can be cancelled, the amount due on the uncanceled loan(s) is the amount the student would normally pay.

### REIMBURSING AMOUNTS CANCELLED

For Direct and Perkins Loans, the Department will reimburse each school every award year for the principal and interest cancelled from its student loan funds for teaching, Head Start, military, and volunteer service. The school must deposit this amount in its Fund.

**Direct/  
Perkins  
Loans**

For Defense Loans, the Department of Education will reimburse each school every award year for its share of the principal and interest cancelled for teaching or for military service. Reimbursement is determined as follows:

**Defense  
Loans**

Total cancelled  
principal and  
interest

$$\times \frac{I}{I + F} =$$

School's share of  
cancelled principal  
and interest

"I" is the school's capital contribution to the Perkins Fund;  
"F" is the Federal Capital Contribution to the Fund.

Reimbursements for amounts cancelled on Defense Loans represent institutional funds and may be used at the school's discretion.

The Department of Education will not reimburse schools for cancellations due to death, disability, or bankruptcy.





# SECTION ONE: ELIGIBILITY

Chapters 2 and 3 of the *Handbook* cover eligibility requirements of students and schools in considerable detail; only those requirements of special interest to Stafford Loan, PLUS, and SLS borrowers are covered here.

## BORROWER ELIGIBILITY FOR STAFFORD LOANS, PLUS, AND SLS

While eligibility criteria for students participating in all student financial assistance (SFA) programs are generally the same, there are some significant differences in Stafford Loans, PLUS, and SLS that should be mentioned:

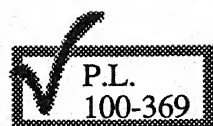
- A member of a religious community may be eligible for a Stafford Loan, PLUS, or SLS. (Members of religious communities are not eligible for other SFA programs.)
- Only U.S. citizens or nationals may receive a Stafford Loan, PLUS, or SLS for study at a foreign school; "eligible non-citizens" may receive a Stafford Loan, PLUS, or SLS only for schools that are located within a State. Parent borrowers for students attending a foreign school, however, need only meet the general requirements for a citizen or eligible non-citizen, as outlined in Section One of Chapter 2. (Stafford Loan, PLUS, and SLS are the only SFA programs that allow foreign schools to participate.)
- A student at an *institution of higher education* who is in a program that only participates in the guaranteed loan programs must be beyond the age of compulsory school attendance, but does not have to demonstrate ability to benefit.

However, a student at a *vocational school* must have the ability to benefit from the training offered in order to obtain a loan, but need not be beyond the age of compulsory school attendance.

- In some cases, a student at a school offering a program of as few as 300 hours may be eligible for a Stafford Loan, PLUS, or SLS. In the other SFA programs, the eligibility cutoff is six months (600 clock hours, 16 semester hours, 24 quarter hours, or 16 trimester hours). Technically, this issue is associated with institutional eligibility and the definition of "vocational school"; it is mentioned here because it is often thought of in connection with student eligibility.

Substantial changes in the eligibility requirements for all SFA programs have been made as the result of recent legislation; the following is a summary of changes as they apply to Stafford, PLUS, and SLS loans. For more detailed information on eligibility requirements, see Section One of Chapter 2 of this *Handbook*.

- If a student owes a refund on an SFA grant, or is in default on a loan made under the Stafford Loan, PLUS, Income Contingent Loan, or Perkins Loan (formerly National Direct Student Loan) Programs—or on a Consolidation Loan—for attendance at *any* school, he or she is not eligible for a Stafford Loan or SLS. (See the section on refinancing and consolidation under Section Seven for more information on Consolidation Loans.) The parents of such a student may not take out a PLUS loan for him or her. In addition, if a parent is in default or owes a refund on any SFA program, he or she may not take out a PLUS loan for any of his or her children in postsecondary education. Certification that the borrower is not in default and does not owe a refund is a requirement for which the school is responsible, and is discussed under "Estimated financial assistance" in Section Five.
- A determination of Pell Grant eligibility or ineligibility must be made for undergraduate Stafford Loan *and* SLS applicants if the school participates in the Pell Grant Program. This requirement does not apply to students for whom a parent is seeking a PLUS. In addition, a determination of need for a Stafford Loan must be made for SLS applicants. More detail on eligibility determina-



**SLS applicants now must have eligibility determined for Pell and Stafford Loan**

- Up to 2 years of service in an internship or residency training program required by a State licensing agency before beginning professional practice or service in that State. The borrower must have a bachelor's degree before beginning the program.
- In addition to the internship provision above, up to 2 years of service in an internship or residency program which leads to a degree or certificate awarded by an institution of higher education, hospital, or a health care facility with postgraduate training. The program must require a bachelor's degree as a condition of acceptance.
- Up to 3 years during which the borrower is temporarily totally disabled or during which the borrower is unable to work because he or she is caring for a spouse or other dependent who is temporarily totally disabled (including any combinations of such periods).
- Up to 6 months of parental leave during which a borrower is pregnant, caring for his or her newborn child, or caring for his or her adopted child immediately following adoption. The borrower must be unemployed and not attending school, and must apply within 6 months after he or she leaves school or drops below half-time status.

The following additional deferments of repayment for a Stafford Loan apply *only* to new borrowers:

- Up to 3 years of active duty in the National Oceanic and Atmospheric Administration Corps.
- Up to 3 years of full-time teaching in a public or nonprofit private elementary or secondary school in an area the U.S. Department of Education has determined to be a teacher shortage area. (For more information about this deferment, students should be instructed to contact the appropriate guarantee agency.)
- Periods of half-time study, *if* the borrower has obtained a Stafford Loan or SLS for that same enrollment period.



**This internship provision now applies to *all* Stafford Loan and SLS borrowers**

**"New borrower" deferments**

- Up to 12 months for mothers of preschool age children who are going to work (or back to work) at a salary that is no more than \$1.00 over the Federal minimum wage.

You may wish to reassure students with previous loans, who are concerned about changes in deferment conditions, that deferments listed on the Promissory Note cannot be removed; however, additional deferment conditions which could apply to *all* borrowers may be added by future legislation.

The following chart provides additional deferment information which may be useful to students with previous loans, and provides deferment information on Consolidation Loans. For more information on specific deferment provisions, the student should be advised to carefully read his or her Promissory Note and contact the appropriate lender to resolve any questions.

## SPECIAL CONDITIONS

### DEPENDENT

### INDEPENDENT

#### Loss of employment

- One of the student's parents (or a stepparent) earned money in 1988, but has lost his or her job for at least 10 weeks in 1989.

- The student worked full-time (at least 35 hours a week) for at least 30 weeks in 1988, but is not working full-time now. (Does not apply to the student's spouse.)

- The student's spouse earned money in 1988, but has lost his or her job for at least 10 weeks in 1989.

#### Loss of earnings due to disability or natural disaster

- One of the student's parents earned money in 1988, but has not been able to earn money in his or her usual way for at least 10 weeks in 1989. This must have been because of either a disability or a natural disaster that happened in 1988 or 1989.

- The student (or spouse) earned money in 1988 but has not been able to earn money in the usual way for at least 10 weeks in 1989. This must have been because of either a disability or a natural disaster that happened in 1988 or 1989.

#### Loss of untaxed income or benefit

- One of the student's parents received unemployment compensation or some untaxed income or benefit in 1988, but has completely lost that income or benefit for at least 10 weeks in 1989. The untaxed income or benefit must have been paid by a public or private agency, from a company, or from a person because of a court order.

- The student (or spouse) received unemployment compensation or some untaxed income or benefit in 1988, but has completely lost that income or benefit for at least 10 weeks in 1989. The untaxed income or benefit must be from a public or private agency, from a company, or from a person because of a court order.

#### Separation or divorce

- The student has already applied for Federal student aid, but his or her parents have separated or gotten divorced since that time.

- The student has already applied for Federal student aid, but has separated or been widowed or divorced since that time.

#### Death

- The student has already applied for Federal student aid, but, since that time, one of the student's parents has died.

- The student has already applied for Federal student aid as a dependent student, but, since that time, the student's last surviving parent has died.

***Is it always to the student's advantage to apply under a special condition ( if he or she qualifies)?***

In most cases, yes. It certainly will never be to the student's *disadvantage* to use the special condition, because the student will still be entitled to the simplified formula and the dislocated worker/displaced homemaker modifications.

There may be some cases where the student has already filed an application, and the special condition will not make a difference. (For instance, the formula already uses expected year income for a parent who is a dislocated worker, even if a special condition is not involved.)

***What happens if the student files an application in the usual way, and then changes to a special condition?***

The two applications will be treated as separate, valid transactions. The student will receive a Student Aid Report for each transaction. The student may submit the Student Aid Report that has the lower Student Aid Index.

WORK SHEET  
**A**

# DEPENDENT STUDENT

## 89-90 REGULAR FORMULA

Includes modifications for  
-dislocated worker  
-displaced homemaker  
-special condition

### PARENTAL INCOME

1. 1988 TAXED INCOME (From IRS Form 1040-line 31, 1040A-line 13, 1040EZ-line 3. For non-tax filer, add 1A and 1B.) *	12,500
1A. INCOME EARNED FROM WORK BY FATHER	
1B. INCOME EARNED FROM WORK BY MOTHER	12,500
2. 1988 UNTAXED INCOME AND BENEFITS (Social Security Benefits, AFDC, Child Support, Other.) *	2,500
3. ONE-HALF OF STUDENT'S EXPECTED VETERANS EDUCATIONAL BENEFITS	0
4. TOTAL INCOME (Lines 1 + 2 + 3)	15,000
5. 1988 U.S. INCOME TAX PAID*	1,432
6. STATE TAX ALLOWANCE (See Table 1)	1,800
7. FAMILY SIZE OFFSET (See Table 2)	8,400
8. MEDICAL/DENTAL OFFSET (Enter amount that exceeds 20% of: Total income minus U.S. and State taxes.)	0
9. EMPLOYMENT EXPENSE OFFSET (Enter 50% of the lesser income from line 1A or 1B, not to exceed 1500.)	1,500
10. TUITION OFFSET (Enter tuition paid — not to exceed total of 3750 times children for whom tuition is paid.)	600
11. TOTAL OFFSETS (Add lines 5, 6, 7, 8, 9, 10)	13,732
12. PARENTS' DISCRETIONARY INCOME (Line 4 minus line 11. If negative, enter as a negative number.)	1,268
ASSESSMENT RATE (See Table 3)	.11
13. PARENTS' CONTRIBUTION FROM INCOME (If negative, enter 0.)	139

### PARENTAL ASSETS

14. NET VALUE OF HOME * (Home value minus home debt)	40,000
14A. HOME ASSET RESERVE	- 30,000
14B. AVAILABLE HOME ASSETS (Line 14 minus reserve. If negative, enter 0.)	10,000
15. NET VALUE OF OTHER ASSETS (Cash + checking + savings + real estate + investments minus real estate and investment debt.)	500
15A. OTHER ASSETS RESERVE	- 25,000
15B. AVAILABLE OTHER ASSETS (Line 15 minus reserve. If negative, enter 0.)	0
16. AVAILABLE FARM/BUSINESS ASSETS (Use Supplemental Worksheet.)	0
17. TOTAL AVAILABLE PARENTAL ASSETS (Add lines 14B, 15B, and 16.)	10,000
18. BASIC CONTRIBUTION FROM ASSETS (Multiply line 17 by .05. If result is negative, enter 0.)	500
19. OFFSET FOR NEGATIVE DISCRETIONARY INCOME (If line 12 is negative, enter it as a positive number, otherwise enter 0.)	0
20. PARENTS' CONTRIBUTION FROM ASSETS (Lines 18 - 19. If negative, enter as a positive number in 20A below, and enter 0 in box 20.)	500
20A.	
21. PARENTAL CONTRIBUTION FROM INCOME AND ASSETS (Lines 13 + 20.)	639
DIVIDE BY THE NUMBER OF FAMILY MEMBERS IN COLLEGE	1
22. TOTAL PARENTAL CONTRIBUTION	639

\* Substitute 1989 expected taxed and untaxed income and use estimated U.S. taxes paid, if father or mother is a dislocated worker, or family qualifies for a special condition.

\* Do not include home assets if father or mother is a dislocated worker or a displaced homemaker.

Corrected Page — Sept 89

CASE STUDY #1 - Jessica Swanlake



# DEPENDENT STUDENT

**REGULAR FORMULA  
CONTINUED ...**



## STUDENT/SPOUSE INCOME

23. 1988 TAXED INCOME (From IRS Form 1040-line 31, 1040A-line 13, 1040EZ-line 3. For non-tax filer, add 23A and 23B.) *	2,000
23A. INCOME EARNED FROM WORK BY STUDENT	2,000
23B. INCOME EARNED FROM WORK BY SPOUSE	
24. 1988 UNTAXED INCOME AND BENEFITS (Social Security Benefits, Other.) *	0
25. TOTAL INCOME (Lines 23 + 24.)	2,000
26. 1988 U.S. INCOME TAX PAID *	0
27. OFFSET FOR NEGATIVE INCOME (Enter amount from 20A, if any, as a positive number.)	0
28. OFFSET TO STUDENT INCOME (Single = \$3600, Married = \$5300)	3,600
29. TOTAL OFFSETS (Add lines 26, 27, and 28.)	3,600
30. STUDENT'S DISCRETIONARY INCOME (Line 25 minus line 29. If negative, enter 0.)	0
ASSESSMENT RATE	X .75
31. STUDENT'S CONTRIBUTION FROM INCOME	0

## STUDENT/SPOUSE ASSETS

32. NET VALUE OF HOME * (Home value minus home debt)	0
33. NET VALUE OF OTHER ASSETS (Cash + checking + savings + real estate + investments minus real estate and investment debt.)	300
34. NET FARM/BUSINESS ASSETS (F/B assets minus F/B debts.)	0
35. TOTAL AVAILABLE STUDENT/SPOUSE ASSETS (Add lines 32 + 33 + 34.)	300
ASSESSMENT RATE	X .33
36. STUDENT'S CONTRIBUTION FROM ASSETS	99
37. STUDENT AID INDEX (Add lines 22 + 31 + 36.)	738

\* Substitute 1989 expected taxed and untaxed income if student or spouse is a dislocated worker, and use estimated U.S. taxes paid.

\* Do not include home assets if student or spouse is a dislocated worker or a displaced homemaker.